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AM Best Affirms Credit Ratings of Zavarovalnica Triglav d.d. and Pozavarovalnica Triglav Re, d.d.

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FOR IMMEDIATE RELEASE

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AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings of “a” (Excellent) of Zavarovalnica Triglav d.d. (Triglav), the operating holding company of the Triglav group, and Pozavarovalnica Triglav Re, d.d. (Triglav Re), a wholly owned subsidiary of Triglav. Both companies are domiciled in Slovenia. The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Triglav's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management (ERM). The ratings of Triglav Re factor in its strategic importance to Triglav, together with its strong integration into the group.

Triglav's balance sheet strength is underpinned by its risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). The assessment also considers the group's prudent reserving and good financial flexibility, with access to equity and debt markets. Financial leverage and interest coverage are well within AM Best's tolerances. Historically, an offsetting balance sheet strength factor has been the high average guarantees embedded within the group's life portfolio compared with peers; however, this concern is mitigated by increased investment yield, driven by the recent rise in interest rates. In addition, the sale of most products with guarantees was discontinued in 2019.

Triglav's operating performance continues to be strong, as evidenced by a solid five-year (2018-2022) weighted average return-on-equity and combined ratio of 11.3% and 93.6%, respectively (as calculated by AM Best). Triglav's performance is driven by excellent non-life technical earnings in its domestic market, where the group's scale enables it to operate with a low expense base, and is supplemented by healthy investment income. At half-year 2023, the group recorded a weak profit before taxes of EUR 10.5 million, mainly due to a EUR 30.9 million loss in the health insurance segment driven by the government's proposed discontinuation and price cap on the state-sponsored supplementary health insurance; this accounted for approximately 13.8% of the group's gross written premium in 2022. Additionally, AM Best expects Triglav's full-year result to be further impacted by the third quarter natural catastrophe events (particularly the floods in Slovenia); however, these losses are expected to be within the group's risk tolerances.

The profitability of Triglav's international operations in the West Balkans remains modest mainly due to intense competitive conditions and high operating costs. Nonetheless, the group continues to demonstrate improvements in earnings derived from this region, as it grows and actively seeks alternative, lower cost distribution channels.

Triglav benefits from its leading position in its domestic market, with a 39% market share, in terms of gross written premium, in 2022. The group is also a dominant player in the Adria region, with approximately 22% market share. Triglav writes a well-diversified portfolio by product and geography.

AM Best considers Triglav's ERM to be developed and appropriate for the company's risk profile and operational scope.

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AMB#	Company Name
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